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SHELL OIL COMPANY ANNUAL REPORT 1964

SHELL OIL COMPANY

50 West 50th Street, New York, N. Y. 10020

1964 ANNUAL REPORT

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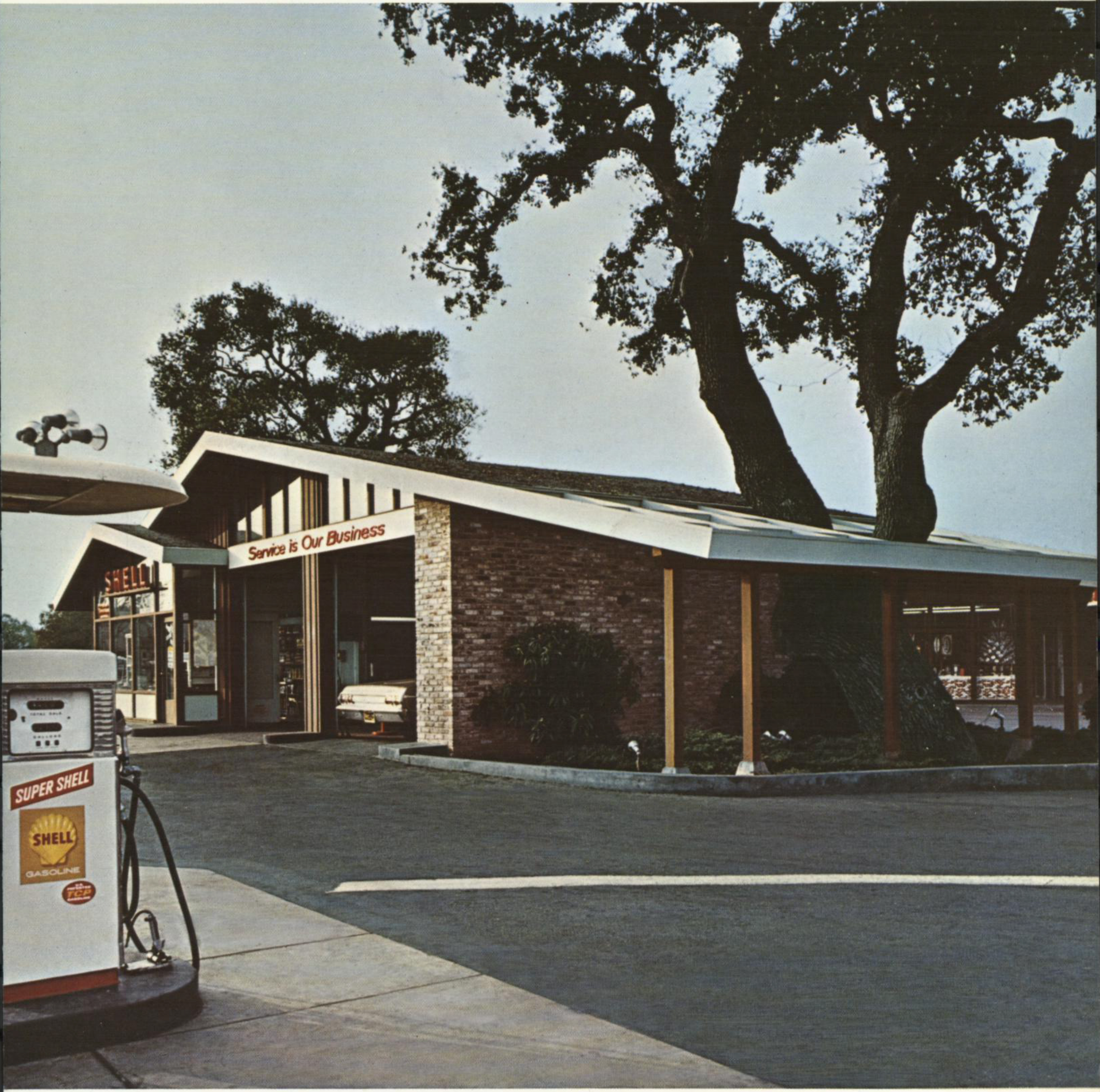
FRONT COVER

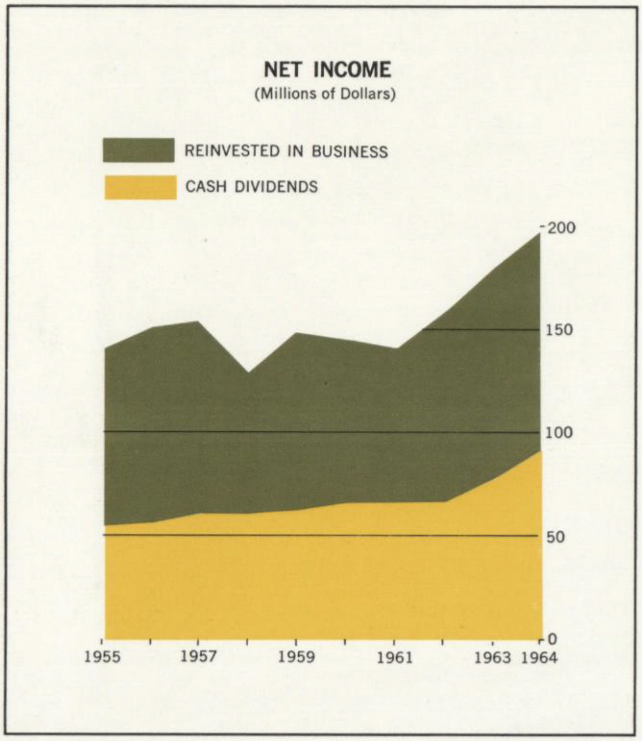
Shell's search for petroleum in the Gulf of Mexico and off the West Coast and Alaska, has employed several massive floating drilling platforms. This one is the Blue Water No. 2.

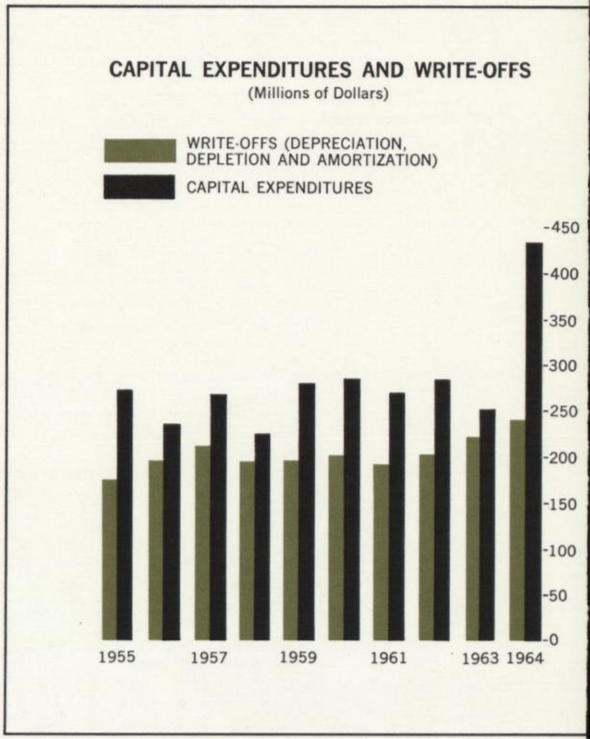
The Annual Meeting

of shareholders will be held at the Sheraton-East (Trianon Room), Park Avenue at 51st Street, New York, N. Y., at 11 A.M., Thursday, April 22, 1965. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to shareholders.



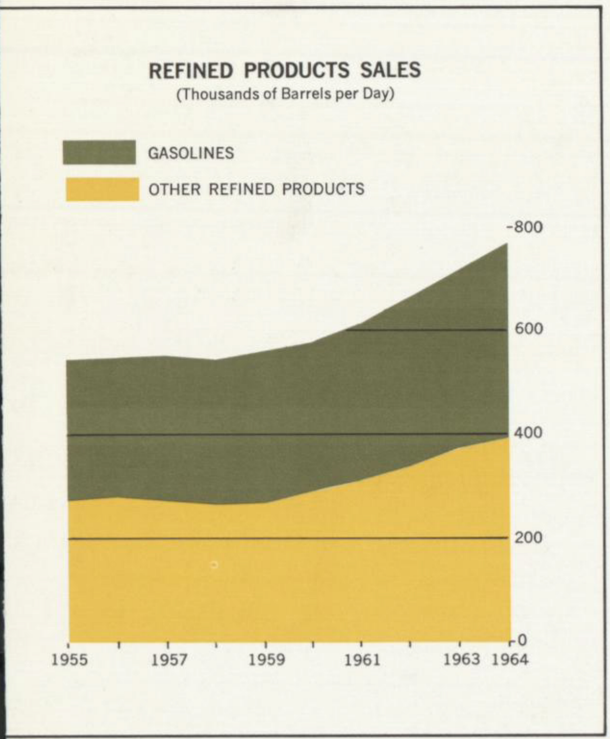
Shell has various styles of service stations, including Ranch and Colonial. Each type is designed to please consumers and communities.

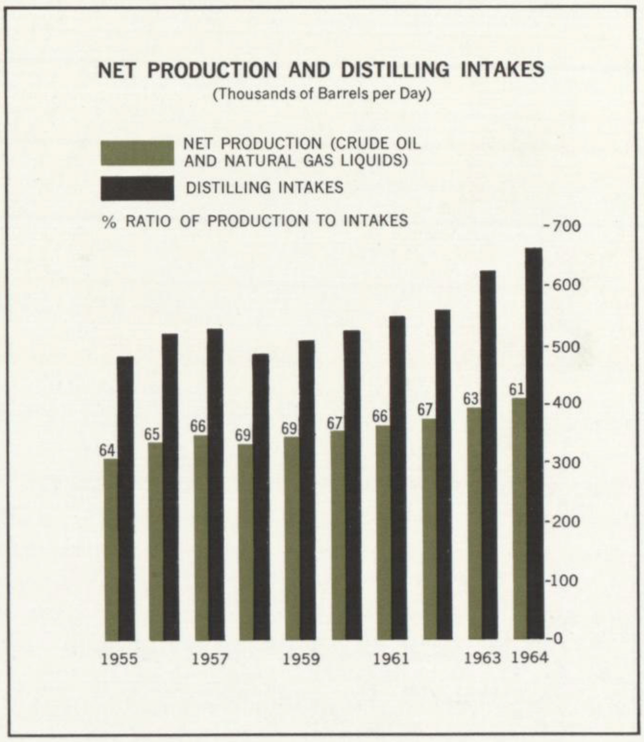




HIGHLIGHT

FINANCIAL	**1964**	**1963**
Revenues	$2,834,574,000	$2,574,623,000
Net Income	$ 198,190,000	$ 179,852,000
Net Income per Share	$3.27	$2.97
Cash Dividends	$ 90,798,000	$ 78,658,000
Cash Dividends per Share	$1.50	$1.30
Capital Expenditures	$ 431,951,000	$ 252,070,000
Cash and Short Term Securities	$ 126,508,000	$ 238,419,000
Working Capital	$ 352,946,000	$ 435,723,000
Long Term Debt	$ 267,424,000	$ 273,219,000


REFINED PRODUCTS SALES
(Thousands of Barrels per Day)


NET PRODUCTION AND DISTILLING INTAKES
(Thousands of Barrels per Day)

OF THE YEAR

OPERATING	**1964**	**1963**
Net Wells Drilled	1,009	707
Gross Crude Oil and Natural Gas Liquids Produced—Barrels	170,618,000	164,912,000
Net Crude Oil and Natural Gas Liquids Produced—Barrels	149,145,000	143,944,000
Distilling Intakes—Barrels	243,007,000	227,850,000
Refined Products Sold—Barrels	285,515,000	262,179,000
Number of Employees at End of Year	33,578	32,191
Salaries, Wages and Employee Benefits	$ 342,530,000	$ 327,383,000

TO THE SHAREHOLDERS:

We are pleased to submit herewith a review of the operations of Shell Oil Company and its subsidiaries for 1964, together with the related financial statements.

The year was one of continued growth. Earnings reached a new high for the third consecutive year with crude oil and natural gas production, refinery runs, and sales of petroleum and chemical products at their highest in Shell's history.

Net income increased 10% to $198.2 million, or $3.27 a share, compared with $179.9 million, or $2.97 a share in 1963. Dividends paid during the year totaled $1.50 a share, up from $1.30 a share in the previous year.

Although the year was characterized by a continued high level of industrial activity generally, it was not an easy one for the domestic oil industry. While demand increased somewhat, product prices were under pressure throughout the year. Competition in the gasoline market was particularly severe, so that the average price realized continued its downward trend, reaching the lowest level in more than 10 years. Companies intensified their efforts toward technical improvements and administrative economies in order to protect their margins of profit.

In the light of these conditions, Shell's results were gratifying. The Company's rate of growth continued to compare favorably with industry's in all regards, and the increase in its sales of petroleum products, particularly automotive gasoline, surpassed by a wide margin the industry's performance. The volume of chemicals sold also increased, and prices were more stable than in recent years.

Notwithstanding Shell's record production of crude oil and natural gas, its proved reserves, both developed and undeveloped, are higher than they were a year ago, reflecting the application of technological improvements as well as the substantial investments which have been made over the years.

The large capital expenditures in 1964 of $432 million (without including $76 million of exploration expenditures charged directly as expense) provide the best indication that the growth of the last few years will be maintained. They included substantially increased expenditures for development drilling, refinery expansion and modernization, chemical plant construction, and for new and improved service stations.

These capital programs are continu-

March 11, 1965

ing and are projected at an even higher rate for 1965 than for 1964. They are expected to result in continued additions to oil and gas reserves by amounts exceeding the expected increases in production, and to provide the refining capacity and sales outlets needed to meet the expanding demand for the Company's products. Higher capital expenditures are planned also for the chemical business, where the present broad range of products will be further extended.

To provide additional funds required for these expansion programs, the Company has made preliminary arrangements for the private placement and sale of $150 million of 4½% long-term notes due in 1990.

With regard to new fields of activity, we regularly study and sometimes pursue lines of business that apparently differ substantially from those traditional to the Company. Thus, our present range of endeavor encompasses new ventures as diverse as sonic techniques in pile driving, and medicines for the animal husbandry business.

In reporting these activities, we risk leading some to believe that we are moving the Company away from its present areas of endeavor. Actually, we have no intention of moving away from or deemphasizing the main stream of our traditional lines of business. The Company's diversity is the almost inevitable result of realistic assessment of new business opportunities that arise within the broad area considered appropriate for Shell. In the future, such opportunities will undoubtedly continue to occur.

We have started the year 1965 with an ambitious program that is going to test our abilities fully. The short-range prediction is that the general economy will continue strong. Total domestic demand for oil products in 1965 is expected to increase about 3%. With these circumstances, and as Shell continues to increase the efficiency of its operations, we expect a further improvement in the Company's position.

Never has the Company needed more, and never has it received in greater measure, the effort and loyalty of its staff. The support of Shell dealers and jobbers, and of an ever-increasing number of customers, is also gratefully acknowledged. With the continued efforts of all, we hope to merit the enduring confidence of shareholders and ensure that Shell's profitable growth will continue.

FOR THE BOARD OF DIRECTORS.

Monroe E. Spaght

J. H. Loudon
Chairman of the Board of Directors

Monroe E. Spaght
President

A section of a drilling platform is dwarfed by mountains on its way from California to Alaska.

EXPLORATION AND PRODUCTION

Successful exploration and production operations were conducted in 1964, particularly in offshore waters of the Gulf of Mexico and Pacific Coast. Shell's production during the year was at a new high of 149 million net barrels of liquid hydrocarbons, up more than 3% over 1963, and 571 billion net cubic feet of gas, up 10%.

Despite the record production, our present estimates of proved reserves, both developed and undeveloped, are higher than those of a year ago.

Operations in offshore waters—where opportunities, challenges and risks are great—highlighted the Company's exploration activities in 1964. In the Gulf of Mexico, significant discoveries were made in waters off Louisiana and there were important extensions to 1963 discoveries off both Louisiana and Texas. In the waters of North Cook Inlet, Alaska, Shell, in partnership with another oil company, made an oil discovery, the economic significance of which is still not known.

In the northern California offshore region, wildcat drilling on acreage purchased early in 1963 is under way. Further exploration will be conducted off Washington and Oregon, where Shell acquired 132,216 acres for $8.9 million in the October 1964 Federal lease sale.

In onshore activities too, Shell made or participated in discoveries in West Texas, southeast New Mexico, Oklahoma and several other locations.

Much of the Company's development activity also was in offshore oil and gas properties, which contributed a substantial part of the additions to reserves in 1964. The Buccaneer field proved to be the largest hydrocarbon accumulation discovered to date by the industry in Texas offshore waters. A permanent platform has been installed for continued development of production from the field, and a second platform is under construction. On Federal leases off Louisiana, seven permanent platforms have been erected, and construction of 10 more was started in 1964. In another development operation, a large permanent platform, capable of drilling 32 wells, has been constructed in 85 feet of water in Cook Inlet.

In addition to offshore operations, active onshore development programs were carried out in 1964, particularly in Louisiana and Texas.

During 1964, the Company completed 194 net exploratory wells, of which 52 were successful. This compared with 140 net wells and 32 successes in 1963. A total of 815 net development wells were completed in 1964, resulting in 732 oil and gas wells and 83 dry holes. This compared with the 1963 total of 567 wells, of which 479 were oil and gas wells and 88 were dry holes.

Shell's deep-water drilling off Louisiana, California and Alaska—in depths over 400 feet—has been made possible by the Company's technical developments based on research in this relatively new field of operations. The Company started drilling its first well from a floating platform in January 1962. Since then, 49 wells totaling 486,000 feet of hole have been drilled from floating platforms using Shell-developed underwater equipment and techniques. Now under development are oil field production facilities for use in water up to 1,000 feet deep.

Significant expansion was made during 1964 in secondary recovery operations, another phase of oil industry activity in which the Company has made important technical advances. In this work, waterflooding and other techniques are used to spur production from oil wells which no longer respond to primary recovery methods. Shell is an industry leader in pursuing unitizations to permit efficient secondary recovery operations. During 1964, many Company-operated secondary recovery operations were started. One of the most important was a waterflood project in the huge Wasson field in West Texas, where Shell will own about a one-third interest in more than 800 wells. In addition, unitization of the large Bryans Mill field in East Texas was completed, and a gas-cycling project to improve liquid recovery will be put into operation in 1965.

In another phase of secondary recovery, good results continued to come from thermal recovery operations in the heavy oil fields of California. Thermal recovery involves the application of heat to viscous oils, making the otherwise unrecoverable heavy oil thin enough to be produced. Full-scale thermal operations were expanded in 1964, and more than 12,000 barrels per day, about 18% of the Company's crude production on the Pacific Coast, now comes from these operations.

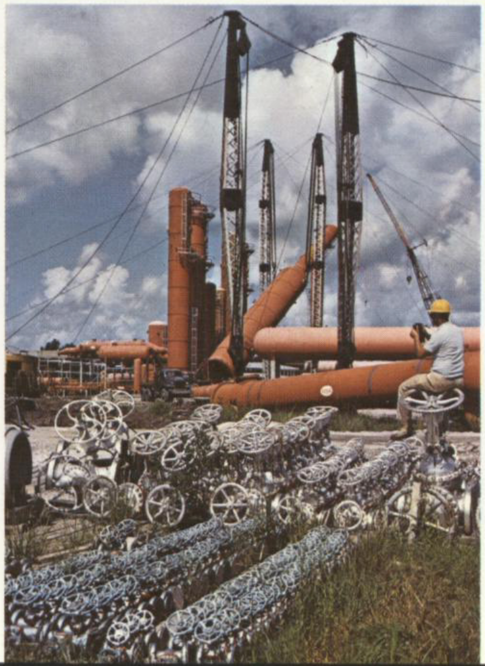
Shell's natural gas business continued to grow in 1964, with gas sales volume up 10% over that in 1963.

Significant expansion of facilities for recovering liquid hydrocarbons from natural gas was undertaken during 1964. Construction was begun on six gas plants in New Mexico, Texas and Louisiana, of which one in New Mexico and one in southwest Texas were completed during 1964. The largest of the plants now under construction, the North Terrebonne complex in Louisiana, will go on stream early in 1965. Completion of this construction program in 1965 will increase production of gas liquids an estimated 10%.

A decision is expected soon from the Federal Power Commission on a gas pipeline project in which Shell owns a 33.5% interest. This is the Oklahoma-Illinois Gas Pipeline Company, formed to construct and operate an interstate gas transmission system from northwestern Oklahoma to the St. Louis, Missouri, market area. An application to the Commission for approval to build and operate this line has been pending for more than two years. In September 1964, the hearing examiner issued a decision recommending approval of the project.

Another major project in which the Company is involved is the proposed Red Snapper gathering line. Under Shell leadership, 22 companies have been investigating the feasibility of constructing a line about 300 miles long to bring oil and gas from wells 30 to 100 miles off the Louisiana coast to a central onshore point.

Construction was begun in 1964 on six plants for recovering liquid hydrocarbons from natural gas. This one is at Terrebonne, Louisiana.



MANUFACTURING

For the fourth consecutive year, Shell's refineries established a new high in the volume of crude oil and volatiles processed. Total throughput in 1964 was 243 million barrels, an increase of nearly 7% over 1963. All manufacturing facilities operated at virtually full capacity.

Progress was made during 1964 in the expansion and modernization programs for the refineries at Norco, Louisiana, and Martinez, California. These programs are the largest ever undertaken at one time by Shell in manufacturing. They will provide efficient facilities that can manufacture the high volume and quality of products—particularly motor gasoline—needed for the Company's growing markets.

The expansions will enable Shell to avoid serious product shortages. Motor gasoline capacity will be increased from 9,000 to 54,000 barrels per day at Martinez and from 57,000 to 97,000 barrels per day at Norco. In all, the expansions will increase the Company's country-wide crude oil refining capacity about 70,000 barrels per day, or some 10%. These programs, involving the latest in technological developments, are designed to carry out the Company's policy of building capacity only to meet the realistically projected growth in demand for Shell products.

One step in the Norco program was completed recently with the start of operation of a new crude oil unit and a catalytic cracking feed hydrotreater. Norco's crude oil capacity was thereby increased 34%, to 156,000 barrels per day. Completions of other new facilities at Norco are scheduled for 1965 and 1966. At the Martinez Refinery, construction work was started last year, and the entire program will be completed in 1966.

A major project started this year at Norco and not directly related to the expansion program involves a unit which will produce petroleum coke for use in the ore-reduction process of making aluminum. The coke will be transported to a calcining plant which an aluminum manufacturing company is building on land adjacent to the refinery. The unit, which is Shell's only facility of this kind, is scheduled to be completed late in 1965.

At other Company refineries, important construction projects completed or started in 1964 include:

Expansion of the Martinez Refinery was begun by moving 1.5 million cubic yards of earth.

- Wilmington-Dominguez (California)—a distillate hydrotreater and an in-line blending system which simultaneously blends gasoline components and additives.
- Wood River (Illinois)—a catalytic cracking feed hydrotreater and one of the largest alkylation plants in the country.
- Anacortes (Washington)—a butane isomerization unit and an alkylation plant.
- Houston (Texas)—a catalytic cracking feed hydrotreater.

The number of the Company's refineries was increased to eight by the acquisition early in the year of two modern refineries from the El Paso Natural Gas Products Company. The refineries are at Odessa, Texas, and Ciniza, near Gallup, New Mexico, and have crude intake capacities of 22,600 and 12,800 barrels per day, respectively.

The manufacturing research effort sought more efficient refining processes and improved fuels and lubricants. Work was also carried forward on new petroleum-derived products for application in plastics, resins and elastomers.

TRANSPORTATION

Efficient supply of expanding markets was aided by completion in 1964 of two significant projects on products pipelines partly owned by Shell. These were a 400-mile extension of the Plantation System between Greensboro, North Carolina, and Washington, D.C., and a new 78-mile line of Inland Corporation supplementing its Lima-Columbus, Ohio, line.

Two major pipeline projects, to be completed in 1965, are the wholly-owned 85-mile Bay Pipe Line from the Martinez Refinery to four terminals near San Francisco; and the 312-mile Olympic Line, in which Shell has a one-third interest, from Ferndale and Anacortes, Washington, to Portland, Oregon.

The purchase of a 248-mile products line in Texas, extending from the Company's Odessa Refinery to the terminal at El Paso, has improved supply to markets in West Texas and Arizona. The Company's acquisition of a one-half interest in an underground storage terminal for liquefied petroleum gas at Hattiesburg, Mississippi, will provide summer storage for 900,000 barrels of propane to improve the winter supply. Further improvement of the products distribution system was effected by construction of four new pipeline terminals.

Shell's ocean transportation costs will be lowered under two long-term contracts negotiated during 1964. Replacing four smaller tankers during the next 18 months will be a 26,000-ton jumbo tanker designed for multi-product carriage, and a 37,000-ton combination chemical, specialties and petroleum products tanker. Both are now being built. Transportation efficiency was improved by the purchase of 97 tank and hopper cars for various products including propane, lubricating oil and polypropylene pellets.

Movement through Shell Pipe Line Corporation's 8,700-mile system totaled 126.4 billion barrel miles, the highest in history and 2.2% more than in 1963. Important additions to this system, used mainly for movement of crude oil, included 255 miles of gathering systems and 57 miles of trunk lines in New Mexico and West Texas.

Growth was also reflected in these developments: expansion of the Delta Pipe Line System from 102,000 to 134,000 barrels-per-day capacity of crude oil from operations in the Gulf of Mexico to the Norco Terminal; and an increase in the Norco Terminal's pumping capacity from 44,000 to 76,000 barrels per day to raise the throughput of Shell Pipe Line's Norco-Baton Rouge products line.

Shell Pipe Line constructed its first water supply system. To serve units for waterflooding of wells in West Texas, brackish water is pumped through a 130-mile pipeline from Kermit, Texas, where Shell Oil Company drilled and equipped the water source wells. Now serving several waterflood units, the system will eventually supply up to 600,000 barrels of water per day to some 45 units operated by Shell and other companies.

Shell continued its leadership in commercial aviation fuel with sales increasing 13% over 1963. Here, a Boeing 727 jet is fueled.

MARKETING

The continuing success of Shell's marketing program was reflected in 1964 results which showed growth in sales volumes—particularly in automotive gasoline—considerably better than that of the industry. The Company's record volume of refined products sales was 9% above that for 1963, compared with an indicated 3% increase for the industry. However, the Company's revenues from sales advanced only 8%, because lower prices cut unit realization on refined products 1% below the 1963 level.

In automotive gasoline, the Company's most important product, sales volume increased nearly 13% while the industry's gain was about 4.5%. Shell's revenue from automotive gasoline was up 11%.

The scope of Shell's growth in the nation's automotive gasoline market in the face of acute competition is indicated by the fact that its share of this market has climbed from 6% in 1960 to 7.6% in 1964.

Major contributions to larger automotive gasoline sales in 1964 came from entering several new market areas, enrolling new jobbers, and constructing new service stations. However, much of the increase was through existing service stations. This portion of the increase was assisted by a series of forceful programs including advertising, promotional mailings of credit cards, and greater emphasis on dealer training, resulting in greater consumer acceptance.

An example of the intense search for new marketing opportunities was the acquisition early in 1964 of outlets in the Southwest. These have enabled Shell to market competitively in areas where the Company had not heretofore been represented. The outlets, which were acquired from the El Paso Natural Gas Products Company, included stations in West Texas, New Mexico and parts of Colorado and Utah.

To keep abreast of innovations in a continually changing automotive gasoline market, the Company took significant steps during 1964 involving new concepts of the possible roles of service stations. In a suburb of Detroit, work was started on the first "Shell Motorlab," a community automotive service center which will supplement the services provided by Shell dealers in neighborhood stations. A key element of the Motorlab will be a diagnostic section equipped with a production-line series of the most advanced instruments for rapid but thorough analysis of a car's performance. A program for evaluating diagnostic equipment and procedures and for training Motorlab personnel is proceeding at Shell's Wood River Research Laboratory in Illinois.

Another project looking to development of new markets involves construction of restaurant-service station combinations along interstate highways. The first of these units opened late in 1964 near Columbia, Missouri. The restaurant, bearing the name "Golden Kettle," is operated by an established restaurant chain. Another unit in Missouri and two in Ohio are scheduled to open early in 1965.

Shell's leadership in supply of commercial aviation fuel was continued in 1964 as the Company's sales increased 13% compared to the industry's indicated 5% gain. Growing demand for AEROSHELL® Oil W, a non-ash, dispersant-type aircraft oil, raised sales volume of aviation lubricants to commercial customers 35% over that in 1963.

Notable gains were also realized in distillate and residual fuel oils, liquefied petroleum gas, industrial solvents and asphalts.

New and accelerated efforts were made during the year to increase marketing profitability through lower product distribution costs. Marketing plants were constructed at Des Plaines, Illinois; Long Beach, California; and at Springfield and Roanoke in Virginia. The Company now has 25 marketing plants which use new equipment allowing round-the-clock truck loading even though the plant is not under 24-hour direct supervision. Also cutting distribution costs is a new program which permits bypassing of warehouses with direct delivery of packaged goods from refineries and plants to service stations and industrial accounts.

Other highlights of 1964 marketing developments included:

- Closing of the Baltimore Division Office and merging of its marketing territory into the New York and Atlanta Divisions.
- Centralization of all credit card accounting in Tulsa, Oklahoma.

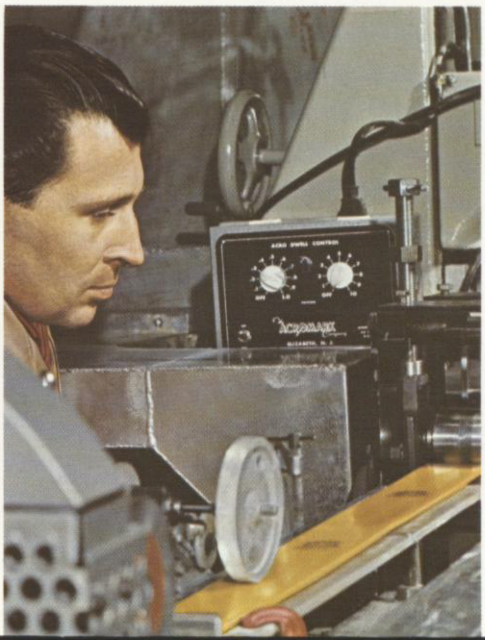
CHEMICALS

Shell's chemical business posted a number of records in 1964. Sharing in the growth of the chemical industry, Shell Chemical Company's revenues were 6.4% higher than in 1963. The Company's growth was from a basis of a broad range of chemicals manufactured by its Industrial Chemicals, Synthetic Rubber, Plastics and Resins, Agricultural Chemicals, and Ammonia Divisions.

In Industrial Chemicals, 1964 activities were highlighted by record sales and greater price stability compared with the downward pressures of recent years. The normal butyl alcohol facility at the Houston Plant operated at capacity throughout its first full year of operation. An expansion of ethyl alcohol facilities was completed in the latter part of the year.

Plans for a major expansion of Shell's industrial chemicals business are well advanced. Two multi-million dollar projects will allow diversification into large and growing markets not previously served by the Company. A third major undertaking involves the construction of a facility to manufacture certain important raw materials previously supplied from outside sources. Thus, construction is to be completed this year on a facility to manufacture primary alcohols used in biodegradable, or biologically "soft" detergents. This new primary alcohols facility will use a unique process to which Shell Development Company made substantial scientific and technological contributions. The second project involves construction of a large-scale ethylene oxide complex at a new plant site near Geismar, Louisiana. Scheduled for completion in 1966, the plant will be of a commercially-proven Shell Development design and will utilize ethylene to be produced at the Norco Refinery. Among the many end products of ethylene oxide are ethylene glycol antifreeze, solvents, and certain types of res-

VAPONA Insecticide Resin Strips, packaged at the Princeton Agricultural Development Center in New Jersey, have wide acceptance.



ins. The third undertaking involves construction of facilities to produce chlorine and caustic soda, materials used in quantity in Shell's manufacturing operations.

Sales of the Synthetic Rubber Division continued at a high level with the Company's position improving steadily in Shell Isoprene Rubber. The largest-selling grade of this product now is one introduced in 1963 which has improved processing qualities. Shell Isoprene Latex, the world's only synthetic counterpart of the milky liquid from rubber trees, became firmly established as a commercial product from the Torrance Plant in California. During the year, a second Isoprene Latex manufacturing unit, capable of producing 20 million pounds a year, was constructed at the Marietta Plant in Ohio.

Records were set in sales of the Plastics and Resins Division. Demand was high for Shell thermoplastics—polypropylene, polystyrene, and polyethylene. New grades of high-impact polystyrene and new facilities for high-impact polypropylene are expected to expand use of these products significantly in the automotive, appliance, and industrial fields. Participation in the plastics industry was further broadened by the start of manufacture of a new packaging material, polystyrene foam sheet, and by acquisition of facilities for manufacturing plastic boxes used in industry. Sales of the versatile EPON® resins for both civilian and military uses continued to increase and a new chemically resistant polyester, EPOCRYL* E-11 was introduced. This product will be used in tanks, pipes and other equipment for handling solvents and corrosive materials.

In Agricultural Chemicals, which makes and markets products essential to continued high agricultural productivity, adverse publicity focused on the alleged effects of residues of pesticides. Extensive work was done during the year in monitoring residues in water, wildlife and crops. Sales of agricultural chemicals were down in 1964. However, in the corn belt, sales of aldrin were maintained at record levels. Also, acceptance of VAPONA® Insecticide in solid resin formulation, introduced last year, far surpassed expectations. These resin strips impregnated with VAPONA continuously release the insecticide into the air at a rate required to control insects in household, industrial and commercial buildings. Further variations of this product are planned. Sales of BIDRIN®, a systemic insecticide, increased substantially. Encouraging field tests were made of other new insecticides and of an anthelmintic, an internal parasiticide, Shell's first product in the animal health field.

In the Ammonia Division, record sales of fertilizers were achieved, with demand for these products increasing markedly in domestic and world markets. As part of a broad expansion program in this field, construction is to begin this year on a new plant in Oregon with an initial capacity of 150,000 tons of nitrogenous products annually. In addition, facilities at the Ventura and Shell Point plants in California are being expanded.

*Shell Trademark

RESEARCH

A broad program continued in 1964 to develop new products, processes and methods in the various phases of the Company's operations. Extensive effort was continued on research and development for oil and chemical products and processes, for exploration and production, and for transportation and distribution of oil products. Some of the results of this research are reported in other sections of this Review of 1964 Operations.

A substantial program of basic research in science and engineering provides new scientific and engineering knowledge, the foundation for future research in products, processes and techniques. An example of what this basic scientific understanding can produce was the significant contribution during the year to space flight technology by a research team from Shell Development Company working under a Government contract.

The Shell team developed a catalyst that does not require heat in decomposing the rocket fuel hydrazine, the fuel for the small auxiliary rocket engines used in space vehicles for various controls, such as those used to alter course. This discovery solved a problem that has plagued space scientists for 10 years. By making possible the elimination of heating and ignition equipment previously required by the auxiliary engines, it increased the payload of space vehicles.

Engaged in all research programs were some 2,600 scientists, engineers and other employees. About two-thirds of them were employed in the three research laboratories of Shell Development Company, and the others were in the various laboratories of Shell Oil Company, Shell Chemical Company and Shell Pipe Line Corporation.

Some 2,600 scientists, engineers and other employees work in research which seeks to develop new products, processes and methods.

EMPLOYEE RELATIONS

The dynamic growth of the Company's business is making increasing demands on the technical competence, business acumen and abilities of employees at all levels.

Management is placing ever-increasing emphasis on the selection and development of qualified personnel to fill the many responsible jobs which growth brings. In 1964, Shell recruited more than 400 graduates in the sciences and engineering and some 200 graduates in business administration and the liberal arts. At the same time, efforts were intensified to enable development of all employees whose performance reveals potential for more responsible positions.

Reinforcing a long-standing policy of non-discrimination in employment, the Company's President signed a joint statement last July with President Lyndon B. Johnson concerning a cooperative program aimed at helping achieve equal employment opportunities for all Americans. More than 300 leading industrial companies now are participants in this program, called "Plans for Progress."

The number of employees at the end of the year was 33,578, about 1,400 more than at the close of 1963, mainly because of acquisitions of facilities and operations from others. Retirements during the year totaled 530, bringing to 9,742 the number of those who have retired on pension since the Shell Pension Plan began in 1938.

The cost of wages, salaries and benefits for 1964 was $342 million, $15 million more than in 1963. The increase was due largely to the acquisitions mentioned above and the 2% general wage and salary increase granted to most employee groups in August 1964 in accordance with an industry pattern.

At the same time, a liberalized vacation policy was announced, effective January 1, 1965. Employees with five, 10 and 20 years of service will receive an added week of vacation, increasing their annual vacation periods to three, four and five weeks, respectively.

The number of participants in the Shell Stock Fund at year-end was 15,937. During the year, the participants directed that $13.5 million of Company contributions made on their behalf to the Shell Provident Fund be invested in the common stock of the Company.

HEAD OFFICES, RESEARCH LABORATORIES, DATA SERVICE CENTERS

HEAD OFFICES

Shell Oil Company
New York, N. Y.

Shell Chemical Company
New York, N. Y.

Shell Development Company
New York, N. Y.

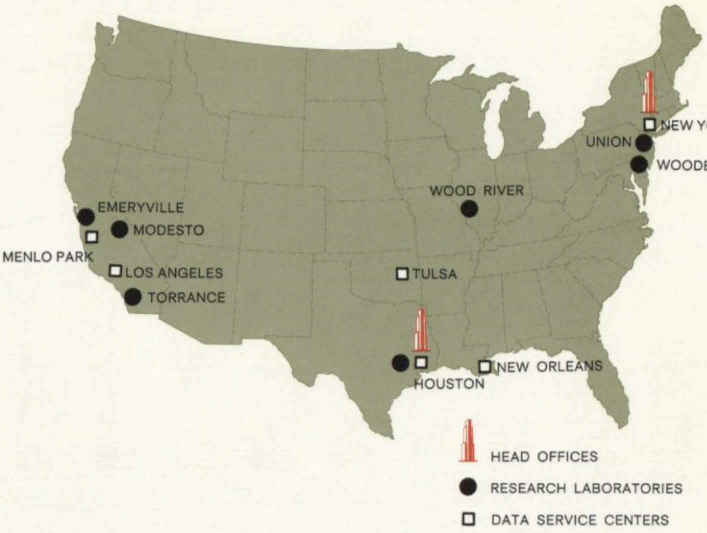
Shell Pipe Line Corporation
Houston, Texas

RESEARCH LABORATORIES

Emeryville, Calif.
Houston, Texas
Modesto, Calif.
Torrance, Calif.
Union, N. J.
Woodbury, N. J.
Wood River, Ill.

DATA SERVICE CENTERS

Houston, Texas
Los Angeles, Calif.
Menlo Park, Calif.
New Orleans, La.
New York, N. Y.
Tulsa, Okla.



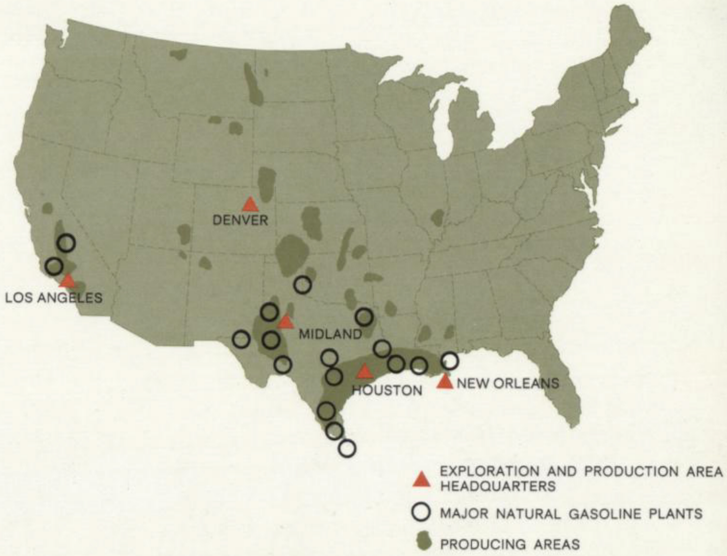
EXPLORATION and PRODUCTION

EXPLORATION AND PRODUCTION AREA HEADQUARTERS

Denver, Colo.
Houston, Texas
Los Angeles, Calif.
Midland, Texas
New Orleans, La.

MAJOR NATURAL GASOLINE PLANTS

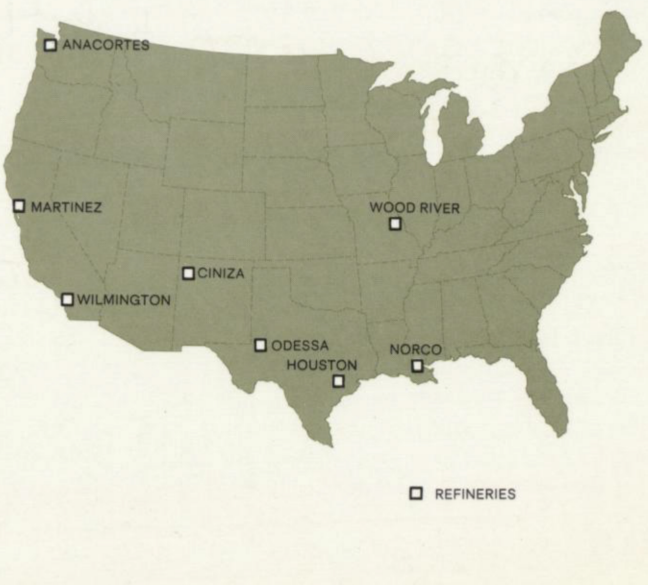
Antelope Ridge, N. M.
Bryans Mill, Texas
Elk City, Okla.
Iowa, La.
McAllen Ranch, Texas
North Rincon, Texas
North Terrebonne Complex, La.
Person, Texas
Provident City, Texas
Sheridan, Texas
Tippet, Texas
Ten Section, Calif.
TXL, Texas
Ventura, Calif.
Wasson, Texas
Weeks Island, La.
Yscloskey, La.


DENVER
LOS ANGELES
MIDLAND
HOUSTON
NEW ORLEANS
▲ EXPLORATION AND PRODUCTION AREA HEADQUARTERS
○ MAJOR NATURAL GASOLINE PLANTS
PRODUCING AREAS

MANUFACTURING

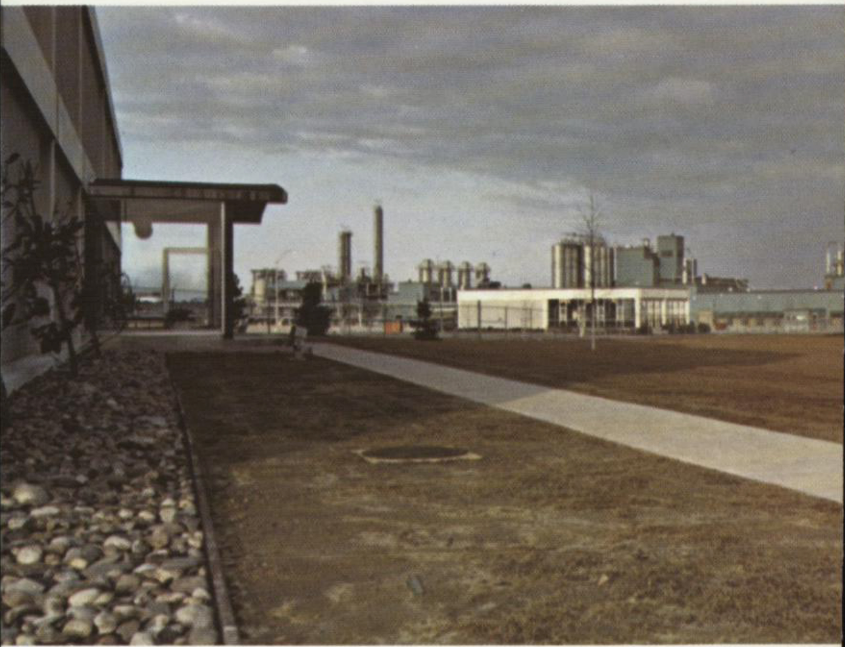
REFINERIES

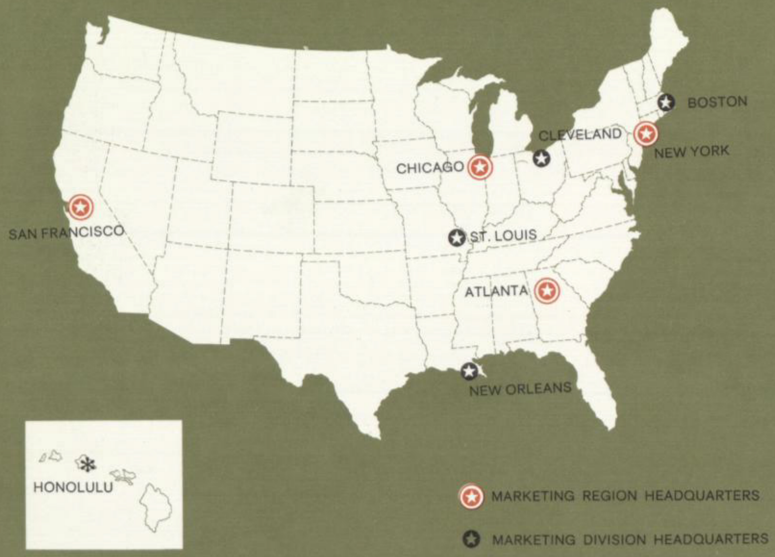
Anacortes, Wash.
Ciniza, New Mexico
Houston, Texas
Martinez, Calif.
Norco, La.
Odessa, Texas
Wilmington, Calif.
Wood River, Ill.



IBM

SHELL





MARKETING

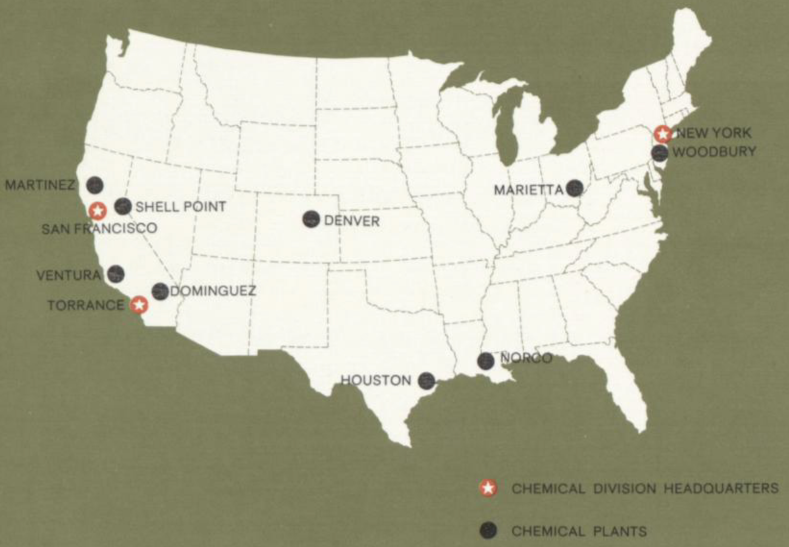
MARKETING REGION HEADQUARTERS

Atlanta, Ga.
Chicago, Ill.
New York, N. Y.
San Francisco, Calif.

MARKETING DIVISION HEADQUARTERS

Atlanta, Ga.
Boston, Mass.
Chicago, Ill.
Cleveland, Ohio
Honolulu, Hawaii*
New Orleans, La.
New York, N. Y.
St. Louis, Mo.

*State Headquarters



CHEMICALS

DIVISION HEADQUARTERS

Agricultural Chemicals
New York, N. Y.

Ammonia
San Francisco, Calif.

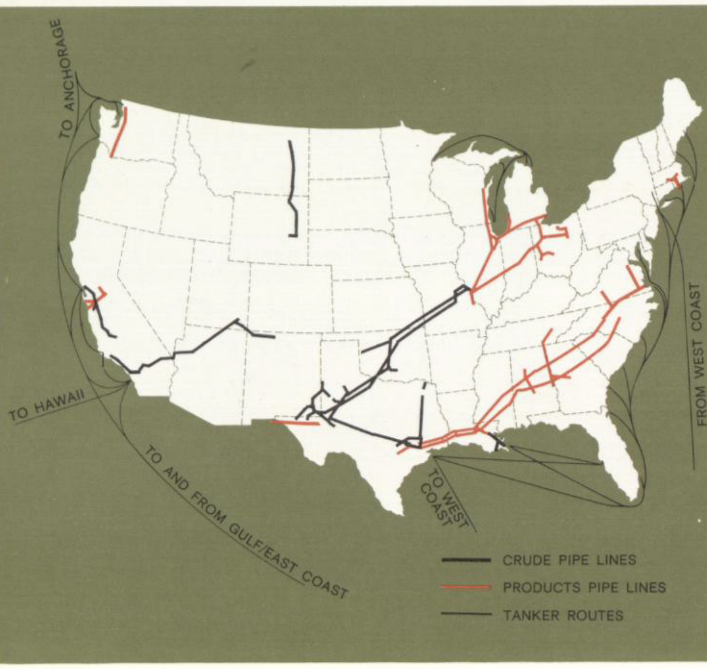
Industrial Chemicals
New York, N. Y.

Plastics and Resins
New York, N. Y.

Synthetic Rubber
Torrance, Calif.

CHEMICAL PLANTS

Denver, Colo.
Dominguez, Calif.
Houston, Texas
Marietta, Ohio
Martinez, Calif.
Norco, La.
Shell Point, Calif.
Torrance, Calif.
Ventura, Calif.
Woodbury, N. J.



TRANSPORTATION

MAJOR OCEAN TANKER TERMINALS

Anchorage, Alaska
Baltimore, Md.
Bridgeport, Conn.
Fall River, Mass.
Honolulu, Hawaii
Jacksonville, Fla.
Portland, Ore.
Port Tampa, Fla.
Rensselaer, N. Y.
Seattle, Wash.
Sewaren, N. J.

MAJOR PRODUCTS PIPELINE TERMINALS

Argo, Ill.
Atlanta, Ga.
Cleveland, Ohio
Detroit, Mich.
East Chicago, Ind.
Springfield, Va.
Greensboro, N. C.
Knoxville, Tenn.
Lima, Ohio
Los Angeles, Calif.
Milwaukee, Wis.
Syracuse, N. Y.
Waltham, Mass.
Zionsville, Ind.

FINANCIAL

Net income for 1964 reached $198.2 million, or $3.27 a share, which was 10% above 1963 earnings of $179.9 million, or $2.97 a share. The rate of return on shareholders' investment further improved in 1964. Contributing to the improved performance were greater sales volumes, the expansion of operations including fuller use of plant capacity, and continued attention to improving operating techniques and controlling costs.

Dividend payments totaled $1.50 a share, up from $1.30 a share in 1963.

Revenues for 1964 of $2,834.6 million were 10% greater than those for 1963. Sales volumes of refined products, particularly automotive gasoline, and of chemicals and natural gas, rose substantially, but refined product prices were weak.

Costs and expenses for the year were $2,636.4 million, an increase of $241.6 million, or 10% over 1963. Most of the increase was due to larger crude oil and product purchases and to higher excise and sales taxes resulting from the greater sales volumes. While operating, selling and general expenses were up $40.6 million, unit costs were reduced compared with those of the previous year.

Capital expenditures for 1964 were the highest in the Company's history, totaling $432 million. In addition, exploration expense (which is charged against income) accounted for $75.8 million. Capital expenditures included the purchase of two refineries, increased expenditures for drilling and production activities, construction of service stations and the expansion and modernization of existing plants. A summary of expenditures by major functions follows:

	1964	1963
	(Millions)	
Drilling and production	$253.4	$180.1
Oil refineries	78.3	25.6
Chemical plants	25.9	8.2
Marketing facilities	43.6	28.1
Pipelines and other transportation facilities	21.5	4.7
Miscellaneous facilities	9.3	5.4
Total capital expenditures	432.0	252.1
Exploration expenses	75.8	72.6
TOTAL	$507.8	$324.7

Cash and short-term securities at December 31, 1964, amounted to $126.5 million, the reduction of $111.9 million since the previous year-end being due principally to the high capital expenditures.

SOURCE AND DISPOSITION OF FUNDS

	1964	1963
	(Millions)	
SOURCE OF FUNDS		
Net income	$198.2	$179.9
Depreciation, depletion, amortization and retirements	188.8	182.9
Dry hole costs (included in capital expenditures)	50.5	38.7
TOTAL FUNDS DERIVED FROM OPERATIONS	437.5	401.5
Property sales and salvage	10.8	12.6
Company shares sold less shares acquired	2.1	(2.3)
TOTAL	$450.4	$411.8
DISPOSITION OF FUNDS		
Capital expenditures including dry hole costs	$432.0	$252.1
Dividends paid	90.8	78.7
Decrease in long term debt	5.8	9.9
Investments, long term receivables and other items	4.6	3.5
Working capital (decrease) increase	(82.8)	67.6
TOTAL	$450.4	$411.8

Six Data Service Centers have been set up to carry out various financial and other functions.

Opinion of Independent Accountants

To The Shareholders Of Shell Oil Company:

In our opinion, the accompanying statement of financial condition and the related statement of income and retained earnings present fairly the financial position of Shell Oil Company and consolidated subsidiary companies at December 31, 1964 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination also encompassed the statement of source and disposition of funds as shown on page 18 for the year ended December 31, 1964, which is presented as supplementary information and, in our opinion, that statement presents fairly the information shown therein.

New York, N. Y.
February 19, 1965

Price Waterhouse & Co.

Shell Oil Company and Subsidiary Companies

STATEMENT OF INCOME AND RETAINED EARNINGS

	YEAR 1964	YEAR 1963
REVENUES		
Sales and other operating revenue	$2,823,405,000	$2,562,680,000
Dividends, interest and other income	11,169,000	11,943,000
	2,834,574,000	2,574,623,000
COSTS AND EXPENSES		
Purchased oils and chemicals	1,001,787,000	862,804,000
Operating, selling and general expenses	799,564,000	758,940,000
Income, operating and consumer taxes (Note 2)	584,450,000	539,788,000
Depreciation, depletion, amortization and retirements, including dry holes	239,318,000	221,671,000
Interest on long term debt	11,265,000	11,568,000
	2,636,384,000	2,394,771,000
NET INCOME	198,190,000	179,852,000
RETAINED EARNINGS at beginning of year	1,035,465,000	934,271,000
	1,233,655,000	1,114,123,000
Cash dividends paid—$1.50 per share (1963—$1.30 per share)	90,798,000	78,658,000
RETAINED EARNINGS at end of year	$1,142,857,000	$1,035,465,000

STATEMENT OF FINANCIAL CONDITION

Assets

	DECEMBER 31, 1964	DECEMBER 31, 1963
CURRENT ASSETS		
Cash	$ 35,831,000	$ 35,530,000
Short term securities, at cost approximating market	90,677,000	202,889,000
Receivables and prepayments (Note 3)	393,042,000	328,265,000
Owing by affiliated companies	4,861,000	6,420,000
Inventories of oils and chemicals (Note 4)	224,149,000	203,329,000
Materials and supplies, at average cost or less	25,354,000	21,695,000
TOTAL CURRENT ASSETS	773,914,000	798,128,000
INVESTMENTS, LONG TERM RECEIVABLES, ETC., at cost	40,035,000	38,942,000
PROPERTIES, PLANT AND EQUIPMENT, at cost, less accumulated depreciation, depletion and amortization (Note 5)	1,487,081,000	1,301,733,000
	$2,301,030,000	$2,138,803,000

Liabilities and Shareholders' Investment

	DECEMBER 31, 1964	DECEMBER 31, 1963
CURRENT LIABILITIES		
Payables, accruals, etc.	$ 299,792,000	$ 224,453,000
Income, operating and consumer taxes	114,236,000	129,213,000
Owing to affiliated companies	4,390,000	5,189,000
Long term debt due within one year (Note 6)	2,550,000	3,550,000
TOTAL CURRENT LIABILITIES	420,968,000	362,405,000
LONG TERM DEBT (Note 6)	267,424,000	273,219,000
SHAREHOLDERS' INVESTMENT		
Common stock, authorized 80,000,000 shares at $1.00 par value, issued 60,687,068 shares (1963—60,602,868 shares) at stated value (Note 7)	227,264,000	227,180,000
Amount in excess of common stock stated value (Note 7)	247,737,000	244,785,000
Retained earnings	1,142,857,000	1,035,465,000
	1,617,858,000	1,507,430,000
Less 126,194 shares (1963—107,100 shares) held in treasury, at cost	5,220,000	4,251,000
TOTAL SHAREHOLDERS' INVESTMENT	1,612,638,000	1,503,179,000
	$2,301,030,000	$2,138,803,000

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

The financial statements include the accounts of all wholly owned subsidiary companies. Intercompany sales and profits of the companies consolidated have been eliminated in the statements to the extent considered practicable.

2. INCOME, OPERATING AND CONSUMER TAXES

	1964	1963
Consumer Taxes		
Excise and sales taxes on products sold	$491,464,000	$434,043,000
Operating Taxes		
Real and personal property	30,755,000	30,238,000
Oil and gas production	25,199,000	23,594,000
Social security	8,826,000	8,955,000
Other	12,821,000	11,235,000
	77,601,000	74,022,000
Income Taxes		
Federal and other	15,385,000	31,723,000
	$584,450,000	$539,788,000

3. RECEIVABLES

The receivables amounted to $368,722,000 at December 31, 1964 and $307,437,000 at December 31, 1963, after deducting allowance for doubtful accounts of $6,892,000 and $6,007,000, respectively.

4. INVENTORIES OF OILS AND CHEMICALS

As in prior years, the policy has been followed during the year ended December 31, 1964, of charging to cost of goods sold the highest of inventory carrying value, current cost of production, or purchases. The inventories of oils and chemicals are carried at resulting average cost or market, whichever is lower.

5. PROPERTIES, PLANT AND EQUIPMENT

	Gross Book Value	Accumulated Depreciation, Etc.	Net Book Value
	(Thousands of Dollars)		
Production properties	$2,082,162	$1,215,272	$ 866,890
Oil refineries	691,335	489,464	201,871
Chemical plants	321,195	200,803	120,392
Marketing facilities	336,005	157,112	178,893
Pipelines and other transportation facilities	214,690	128,784	85,906
Miscellaneous facilities	59,201	26,072	33,129
Total Dec. 31, 1964	$3,704,588	$2,217,507	$1,487,081
Total Dec. 31, 1963	$3,403,284	$2,101,551	$1,301,733

6. LONG TERM DEBT

	December 31, 1964
Shell Oil Company	
Twenty-five Year 2½% Debentures, due 1971, after deducting $5,767,000 of debentures held in treasury which are available for sale to the sinking fund agent	$58,974,000
4⅝% Sinking Fund Debentures Due 1986	200,000,000
Shell Pipe Line Corporation	
3.50% notes payable to banks due 1965 and 1966	3,000,000
3.30% notes payable to banks and others due 1965 to 1967	3,000,000
4.50% note payable to bank due 1965 and 1966	4,000,000
4.50% note payable to bank due 1966	1,000,000
	269,974,000
Included in Current Liabilities as due within one year	2,550,000
	$267,424,000

Of the foregoing long term debt due after one year, $11,683,000 will be due in 1966, $11,000,000 in 1967, $10,000,000 in 1968 and $10,000,000 in 1969.

7. INCENTIVE STOCK OPTION PLAN

At December 31, 1964, 490,700 shares of the Company's authorized but unissued common stock were reserved under the Plan, adopted in 1956, for sale to executives and key employees. Prior to August 22, 1963, options were granted for terms not exceeding ten years at not less than 95% of the fair market value at the date of grant. Commencing August 22, 1963, options have been granted for terms not exceeding five years at not less than 100% of the fair market value at the date of grant. Generally, options may not be exercised within eighteen months of the date of grant. Options granted after August 21, 1963, are by their terms not exercisable until after certain earlier options have been exercised or the time for their exercise has expired, as provided in the Internal Revenue Code of 1954, as amended, with respect to qualified stock options.

At January 1, 1964, options to purchase 506,700 shares were outstanding, of which options for 463,700 shares were exercisable; 68,200 shares were available for future options. During the year options were granted to buy 53,000 shares at the average option price of $51.20 per share, options for 2,100 shares expired, and options for 84,200 shares were exercised at the average option price of $36.06 per share or $3,036,164. Of this amount $84,200 was credited to common stock and $2,951,964 was credited to amount in excess of common stock stated value. At December 31, 1964, options to purchase 473,400 shares were outstanding, of which options for 381,400 shares were exercisable; 17,300 shares were available for future options.

To January 1, 1965, options covering 44,600 shares have been adjusted (through reducing the purchase price of each share by 7.34%) to reflect the effect thereon of the distribution to the Company's shareholders of all Shell Canada Limited stock held by the Company on November 1, 1962. Similar adjustments will probably be made in the future with respect to other affected options. At the date of distribution, such options (exclusive of those since adjusted or expired) covered an aggregate of 440,100 shares.

8. COMMITMENTS AND CONTINGENT LIABILITIES

At December 31, 1964, Shell Oil and subsidiary companies had long term leases and other contractual commitments with an average unexpired life of approximately 6 years covering service stations, office space, tankers and other facilities. For the year 1965, the minimum amounts payable (without reduction for related rental income) under such commitments having a remaining life of over one year are estimated at $54,300,000.

Shell Oil Company might be required under certain conditions to make payments under guaranty and other contractual arrangements entered into in connection with pipelines and other facilities used for handling the Company's products. At December 31, 1964, the contingent liability under such arrangements will not exceed $6,900,000 for 1965 and a total of $31,900,000 for years subsequent thereto.

None of the companies had any commitments or contingent liabilities which, in the judgment of the Management, would result in the sustaining of losses which would materially affect their financial positions.

TEN YEAR REVIEW OF STATISTICAL DATA

FINANCIAL AND GENERAL (In thousands except where indicated by †)

	1964	1963
Sales and other operating revenue:		
Refined products and other operating revenue (including consumer excise and sales taxes)	$2,080,323	1,891,582
Chemical products	$ 273,614	256,967
Crude oil	$ 469,468	414,131
TOTAL	$2,823,405	2,562,680
Net income	$ 198,190	179,852
Net income per share†*	$ 3.27	2.97
Cash dividends	$ 90,798	78,658
Cash dividends per share†*	$ 1.50	1.30
Cash income (net income plus write-offs)	$ 437,508	401,523
Capital expenditures (including dry hole costs)	$ 431,951	252,070
Properties, plant and equipment (gross)	$3,704,588	3,403,284
Dry hole costs	$ 50,522	38,722
Exploration expenses	$ 75,766	72,585
Consumer excise and sales taxes	$ 491,464	434,043
Income and operating taxes	$ 92,986	105,745
Working capital (current assets less current liabilities)	$ 352,946	435,723
Long term debt	$ 267,424	273,219
Shareholders†	23,669	23,070
Shares outstanding	60,561	60,496
Shareholders' investment	$1,612,638	1,503,179
Employees†	33,578	32,191
Salaries, wages and employee benefits :		
Salaries and wages	$ 259,696	245,738
Employee benefits (including vacation, holiday and sick pay)	$ 82,834	81,645
TOTAL	$ 342,530	327,383

EXPLORATION AND PRODUCTION (Barrels in thousands)

	1964	1963
Crude oil and natural gas liquids produced:		
Gross (barrels)	170,618	164,912
Gross (daily average barrels)	466	452
Net (barrels):		
California	23,490	22,843
Illinois	1,430	1,881
Louisiana	62,205	57,095
Mississippi	2,321	2,638
Montana	8,264	8,304
New Mexico	4,939	4,813
Oklahoma	5,549	5,305
Texas	34,895	33,919
Utah	1,250	1,751
Other	4,802	5,395
TOTAL	149,145	143,944
Net (daily average barrels)	407	394
Natural gas liquids produced (included in above) (barrels)	15,505	15,367
Gross natural gas produced (million cubic feet)	666,424	604,290
Net natural gas produced (million cubic feet)	570,725	515,574
Crude oil purchased (barrels)	275,618	247,281
Crude oil sold (barrels)	168,162	148,738
Wells drilled (net):		
Oil and gas	784	511
Dry holes	225	196
TOTAL	1,009	707
Exploratory	194	140
Development	815	567
TOTAL	1,009	707

**Per share outstanding at each year-end adjusted for stock dividends and splits.*

***In addition,*

Shell Oil Company and Subsidiary Companies

1962	1961	1960	1959	1958	1957	1956	1955
1,751,484	1,656,697	1,593,173	1,544,389	1,464,928	1,525,169	1,429,638	1,328,783
232,427	213,876	229,457	226,957	187,907	201,918	213,630	193,860
367,260	368,066	345,202	358,612	300,919	319,981	248,359	194,405
2,351,171	2,238,639	2,167,832	2,129,958	1,953,754	2,047,068	1,891,627	1,717,048
157,675	140,358	144,588	147,418	128,583	152,940	150,045	139,549
2.60	2.32	2.39	2.43	2.12	2.52	2.48	2.30
66,636	66,636	66,631	62,088	60,573	60,573	56,443	55,066
1.10**	1.10	1.10	1.02½	1.00	1.00	.93	.91
359,058	334,212	345,608	342,807	323,148	362,888	344,020	314,561
282,754	269,914	284,041	280,073	223,082	265,635	234,646	271,347
3,261,080	3,092,547	2,912,786	2,713,970	2,516,309	2,377,477	2,230,652	2,056,286
33,665	23,795	28,973	31,288	29,583	28,236	23,148	16,542
68,262	73,285	69,833	64,683	61,135	69,531	61,252	56,209
390,438	357,351	340,000	320,005	287,765	282,466	256,192	225,905
86,042	86,142	93,401	98,948	66,214	89,662	114,372	116,715
368,080	378,894	316,893	299,119	299,738	293,765	287,253	231,255
283,123	295,239	200,002	133,478	143,342	166,087	197,408	201,457
22,183	20,403	20,018	19,730	19,307	19,685	19,727	19,025
60,548	60,580	60,573	60,573	30,287	30,286	30,286	27,533
1,404,327	1,477,048	1,403,066	1,325,109	1,239,779	1,171,745	1,079,378	976,986
33,908	35,586	38,290	38,217	38,572	40,465	39,903	38,845
244,200	266,053	258,774	255,211	246,195	247,434	231,636	209,201
80,767	86,099	87,488	86,356	79,157	78,380	69,270	62,538
324,967	352,152	346,262	341,567	325,352	325,814	300,906	271,739
157,113	151,645	147,792	145,097	138,479	145,797	140,246	128,633
430	415	404	398	379	399	383	352
23,770	26,100	28,001	29,567	30,452	32,109	33,389	33,609
1,813	2,342	2,341	2,358	2,892	2,707	2,300	2,182
51,330	44,613	41,289	35,648	30,687	33,344	28,637	23,455
2,572	3,038	2,720	3,088	1,428	132	37	34
7,543	7,760	7,264	6,274	7,166	6,962	4,491	1,583
4,818	4,998	5,793	6,752	6,688	6,086	6,342	5,868
5,480	5,196	5,471	5,337	6,450	7,484	8,538	9,058
32,241	30,693	29,271	30,068	27,734	30,875	32,596	31,196
1,849	2,121	2,428	3,079	3,080	181	92	136
5,570	5,614	4,950	4,802	5,236	7,948	7,337	6,514
136,986	132,475	129,528	126,973	121,813	127,828	123,759	113,635
375	363	354	348	334	350	338	311
13,865	12,828	12,372	11,669	11,708	11,918	12,442	12,054
553,377	478,263	450,590	358,764	323,438	325,526	318,932	299,894
474,125	412,005	389,384	311,512	281,130	280,147	277,792	261,795
221,873	218,544	198,732	194,948	164,498	178,348	162,624	144,415
132,531	134,595	127,116	130,130	101,232	104,357	88,428	68,883
521	634	625	652	604	788	680	597
187	147	181	192	178	245	216	182
708	781	806	844	782	1,033	896	779
101	99	137	167	136	221	244	185
607	682	669	677	646	812	652	594
708	781	806	844	782	1,033	896	779

ass "A" Common Share of Shell Canada Limited ***was*** *distributed for each five shares of Common Stock of the Company.*

TEN YEAR REVIEW OF STATISTICAL DATA continued

	1964	1963
EXPLORATION AND PRODUCTION *continued*		
Oil and gas wells producing or capable of producing (net):		
Entire working interest	11,185	11,060
Partial interest	3,514	3,092
TOTAL	14,699	14,152
Acreage (net—in thousands):		
Producing	844	723
Non-producing	14,702	15,066
TOTAL	15,546	15,789
Natural gasoline plants:		
Wholly-owned	13	11
Partially-owned	34	30
TOTAL	47	41
MANUFACTURING (Barrels in thousands)		
Crude oil distilling capacity (daily average barrels):		
Anacortes	68	63
Houston	138	138
Martinez	55	55
Norco	116	116
Odessa/Ciniza	35	—
Wilmington	84	84
Wood River	194	194
TOTAL	690	650
Intakes to distilling units (barrels)	243,007	227,850
Intakes to distilling units (daily average barrels)	664	624
Refined products manufactured (barrels):		
Gasolines	121,823	112,527
Distillates	71,586	70,270
Residuals	26,069	25,068
All other products	35,645	30,784
TOTAL	255,123	238,649
MARKETING (Barrels in thousands)		
Refined products sold (barrels):		
Gasolines	140,987	127,185
Distillates	83,126	77,399
Residuals	30,208	29,164
All other products	31,194	28,431
TOTAL	285,515	262,179
Refined products sold (daily average barrels)	780	718
Marketing facilities:		
Bulk distributing plants (leased and owned)	701	699
Retail outlets (leased and owned)	11,300	10,700
Retail outlets (other)	12,300	12,800
TRANSPORTATION		
Trunk pipeline mileage—crude oil (incl. partially-owned)	6,421	6,128
Trunk pipeline mileage—products (incl. partially-owned)	7,040	6,302
Crude oil gathering pipeline mileage (incl. partially-owned)	2,433	2,248
Crude oil transported by pipelines (million barrel miles)	98,837	96,836
Products transported by pipelines (million barrel miles)	26,943	26,033

1962	1961	1960	1959	1958	1957	1956	1955
10,864	10,640	9,903	9,647	9,521	9,390	9,270	8,741
2,685	2,437	2,193	2,178	1,853	1,782	1,413	1,293
13,549	13,077	12,096	11,825	11,374	11,172	10,683	10,034
695	656	599	552	520	479	459	425
14,619	14,164	13,395	12,509	11,675	14,487	21,537	20,944
15,314	14,820	13,994	13,061	12,195	14,966	21,996	21,369
9	10	11	10	11	11	11	11
26	21	21	22	20	21	20	19
35	31	32	32	31	32	31	30
55	55	55	55	55	55	50	50
128	128	128	128	125	125	125	125
55	55	55	55	55	55	55	55
102	102	102	102	95	95	95	82
—	—	—	—	—	—	—	—
68	68	68	68	79	79	79	79
186	186	186	186	175	175	175	170
594	594	594	594	584	584	579	561
205,068	200,967	192,442	185,343	176,914	192,567	190,232	176,511
562	551	526	508	485	528	520	484
102,327	103,343	101,045	99,058	96,009	100,223	98,271	91,631
63,589	58,288	51,255	46,910	40,951	47,322	49,067	43,180
22,284	21,315	21,264	22,611	22,775	30,285	29,634	28,710
25,925	28,458	29,125	24,901	25,087	25,143	23,851	24,359
214,125	211,404	202,689	193,480	184,822	202,973	200,823	187,880
119,518	109,150	104,691	106,792	101,974	101,748	98,715	98,135
72,470	62,589	55,107	49,125	46,009	47,065	48,178	45,319
24,662	24,180	24,926	23,322	26,324	30,082	31,176	33,255
25,676	27,175	26,594	25,727	24,435	22,575	22,455	21,507
242,326	223,094	211,318	204,966	198,742	201,470	200,524	198,216
664	611	577	562	544	552	548	543
737	744	771	773	784	786	790	821
10,300	9,900	9,500	9,000	8,800	8,400	8,300	8,000
12,900	13,300	13,400	14,200	14,600	14,800	14,700	15,100
6,054	5,984	5,988	6,081	5,959	5,304	5,579	5,331
6,145	4,998	4,725	4,720	4,718	4,670	4,670	4,343
2,278	2,315	2,119	2,154	2,107	2,040	2,246	2,083
83,962	94,213	90,632	86,368	78,495	80,804	77,766	73,507
23,851	21,730	21,215	20,795	20,116	21,317	20,819	19,941

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Production

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J. A. HORNER
President

R. C. THOMPSON
Treasurer

W. J. WILLIAMSON
Secretary

DIRECTORATE AND EXECUTIVE

Elected as Directors during the year were D. H. Barran, a Managing Director of the Royal Dutch/Shell Group of Companies, and William Blackie, President of Caterpillar Tractor Co. Mr. Barran replaced Sir Harold Wilkinson, formerly Deputy Chairman and a Managing Director of The "Shell" Transport and Trading Company, Limited, who retired. Sir Harold had been a Director of Shell Oil Company for various periods since 1939.

With deep regret, your Directors record the deaths of two Directors Emeriti—Lewis L. Clarke, who had served as a Director of Shell Oil Company from 1922 to 1962; and Forsyth Wickes, who served as counsel for the Company from its inception until 1962 and as a Director from 1940 until his retirement in 1962.

Four Officers of the Company have retired:

S. F. Bowlby, Vice President, Pacific Coast Exploration and Production Area, retired after 38 years of service. He was succeeded by G. A. Burton, formerly Assistant to Mr. Bowlby.

D. B. Hodges, Vice President, Transportation and Supplies, retired after 38 years of service. He was succeeded by B. Stolley, formerly General Manager, Transportation and Supplies.

J. L. Wadlow, Vice President, Eastern Marketing Region, retired after 38 years of service. On his retirement, the Eastern Region was divided into two new regions, the Eastern and the Southern. F. H. Staub, who was on a special assignment and had formerly been Division Manager Chicago, was elected a Vice President, in charge of the Eastern Marketing Region. C. L. Towers, who was Division Manager Atlanta, was elected a Vice President, in charge of the Southern Marketing Region.

D. F. Sears, Vice President, Operations, Shell Pipe Line Corporation, retired after 37 years of service.

In Shell Chemical Company, S. A. Ballard, formerly Manager, Research and Development, Industrial Chemicals Division, was elected a Vice President. His duties include the Shell Chemical advisorship in research and development, and technical liaison with associated companies.

TRANSFER AGENTS

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545 Sansome Street, San Francisco, Calif. 94120

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO
231 South LaSalle Street, Chicago, Ill. 60690

Notice of change of shareholder's address should be sent to one of the above transfer agents.

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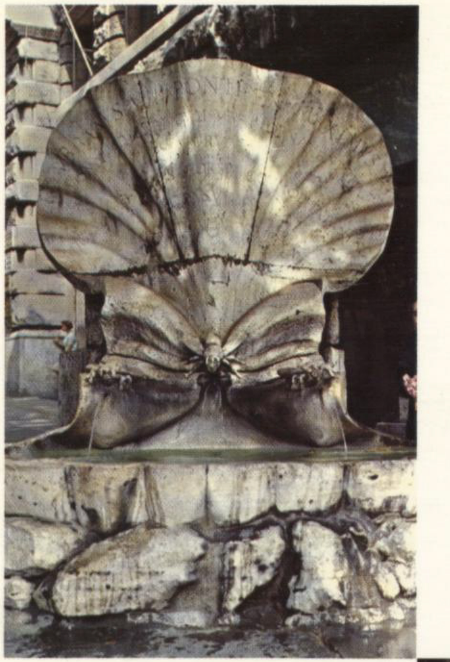

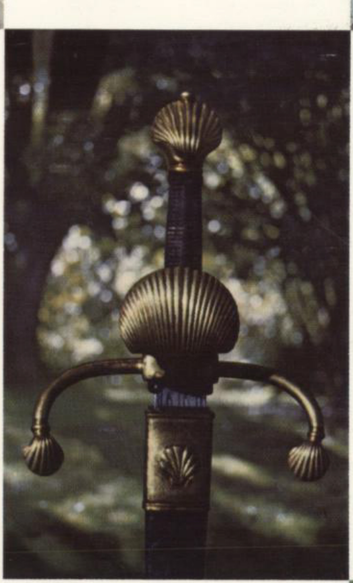

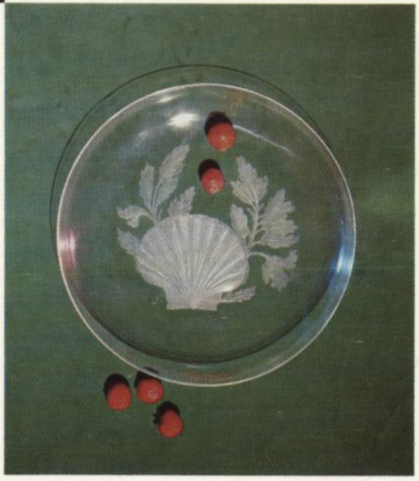

Symbol of Quality

The pecten shell has inspired many great artists in the creation of their finest works. Shell has made the pecten its widely recognized symbol, one that connotes the finest in petroleum and chemical products. It continues to be so regarded due to the men and women of Shell who are dedicated to the pursuit of excellence.